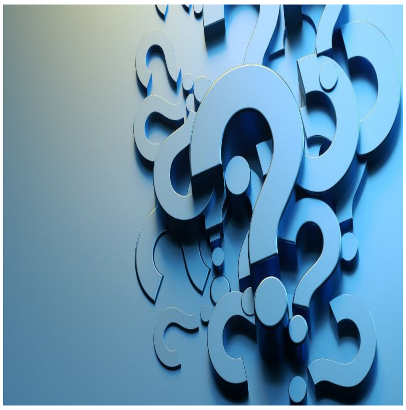

Why Did Docebo (TSX:DCBO) Stock Gain 18% Last Month?

Description

Shares of Canadian tech stock **Docebo** (TSX:DCBO) gained over 18% in August 2020. The stock went public in October 2019 and has since returned an impressive 280%. But what drove Docebo's recent rally last month?

Docebo stock gained momentum after it reported Q2 results where sales were up 46.5% year over year at US$14.5 million. The company's subscription revenue stood at US$13.4 million and accounted for 92.2% of total sales and grew 55% year over year.

Docebo's annual recurring revenue at the end of Q2 was US$57 million, up US$20.1 million, or 55.1%, compared to US$36.9 in the prior-year quarter. The company's gross profit stood at US$11.7 million, indicating a margin of 80.4% of sales.

Docebo's CEO and founder Claudio Erba said, "These are unprecedented times, but our growth momentum continued in the second quarter as we reported 55.1% year over year growth in subscription revenue and 54.5% year over year growth in ARR, with the strongest new logo and upsell performance in the company's history."

Docebo stock remains a top bet for the upcoming decade

While Docebo has managed to crush market returns since its IPO, the company is well poised to outpace technology peers over the long term as well. Docebo ended Q2 with 2,040 customers, which helped annual recurring revenue grow at a compound annual growth rate (CAGR) of 69%.

Around 71% of the company's enterprise clients are based out of North America, while 29% are from Europe, the Middle East, and Asia regions. Docebo's client base includes **HP**, **Thomson Reuters**, Bloomberg, **Uber**, and **HubSpot**, among many others. It caters to companies across verticals such as technology and media, consulting, and manufacturing.

Docebo has forecast the LMS (learning management solutions) market to increase at a CAGR of 21% from $5.7 billion in 2018 to $14.6 billion in 2023, providing it with enough opportunities to increase its top line.

The company continues to grow at a faster pace than the overall market. It increased sales by 74% in 2017, 58% in 2018, and 53% in 2019. According to analyst estimates, Docebo sales are forecast to increase by 50.5% to US$62.4 million in 2020 and 46.8% to US$91.56 million in 2021.

Similar to most other high-growth tech stocks, Docebo is also posting an adjusted loss. However, its earnings loss is forecast to narrow to US$0.23 in 2020 and US$0.12 in 2021 compared to a net loss of US$0.49 per share in 2019.

Another important metric for Docebo is that 65% of enterprise customers chose a three-year contract with the company. Its subscription-based contract model will ensure recurring sales across business cycles. Further, the company has seen a growth of 2.7 times in terms of average contract value since 2016 with a net dollar retention rate in excess of 100%.

The Foolish takeaway

Docebo is one of the growth stocks you need to watch out for in the upcoming decade. In the last four years, it has burnt US$13 million but has also been able to grow annual recurring revenue at a stellar rate.

The stock is trading at a high forward price-to-sales multiple of 15, but its strong revenue growth commands a premium. Due to its stellar run since the IPO, Docebo stock might be volatile in the near term, especially if there is a broader market sell-off.

Any correction should be viewed as a buying opportunity for Docebo investors, which will help them build significant wealth over time.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

1. TSX:DCBO (Docebo Inc.)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Sharewise
6. Yahoo CA

Category

1. Investing

2. Tech Stocks

Date
2025/09/28
Date Created
2020/09/05
Author
araghunath